



United States Environmental Protection Agency
Regional Administrator
Region 5
77 West Jackson Boulevard
Chicago, IL 60604-3590

DEC 21 2016

The Honorable Karen Williams Weaver
City of Flint
1101 South Saginaw Street
City Hall
Flint, Michigan 48502

Mr. Keith Creagh, Director
Michigan Department of Environmental Quality
Constitution Hall
525 West Allegan Street
P.O. Box 30028
Lansing, Michigan 48909-7973

Dear Mayor Weaver and Director Creagh:

In recent weeks, Congress passed and the President signed legislation providing drinking water infrastructure funding for the City of Flint. This accomplishment was the result of a successful partnership to identify infrastructure needs and propose solutions. EPA is eager to work with you to expedite fund availability within the well-established Drinking Water State Revolving Fund (DWSRF) framework and this letter outlines the process.

On December 10, 2016, President Obama signed the 2017 Further Continuing and Security Assistance Appropriations Act, a continuing resolution (CR) including \$100M in supplemental DWSRF appropriations, pursuant to section 2201 of the Water and Waste Act of 2016. The latter Act is part of the Water Infrastructure Improvements for the Nation (WIIN) Act, which was signed by the President on December 16, 2016. WIIN authorizes supplemental DWSRF capitalization grants under section 1452 of the Safe Drinking Water Act, as amended. WIIN uses the established DWSRF program to deliver supplemental funds to defined eligible recipient(s). Per WIIN, an eligible state is one for which the President has declared an emergency under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 et seq.) relating to public health threats associated with the presence of lead or other contaminants in drinking water provided by a public water system. An eligible system is a public water system that has been the subject of this emergency declaration. Currently, Flint, Michigan is the nation's only eligible community for these funds.

As WIIN instructed, EPA will make the supplemental funds available using the existing DWSRF framework. The DWSRF is a state-administered and managed program with EPA oversight. To expedite the funding process, the City must apply to the Michigan Department of Environmental Quality (MDEQ), the administrator of the State's DWSRF program, as soon as possible. MDEQ will use Flint's application as the basis for a supplemental Intended Use Plan, which MDEQ will

provide to EPA as part of its formal request for these funds. Upon submittal of the State's request, EPA will expedite the capitalization grant award process to MDEQ, who will, in turn, make the funds available to Flint. As the City's costs are incurred, the City will review, approve for eligibility and cost, and submit invoices to MDEQ. MDEQ will then review and approve the invoices and disburse funds for eligible expenses.

EPA cannot award the capitalization grant to MDEQ without a complete State application, so it is critical that the City apply for the projects to be funded and work with MDEQ to identify other necessary actions so that MDEQ may apply to EPA for the funds. In addition to MDEQ-required application materials, WIIN requires that the City's project information include a description of the project, an explanation of the means by which the project will address a situation causing the declared emergency, the estimated cost, and the projected start date for construction. Applications may be revised over time, so it is advantageous for EPA and the state to make funds available in an expeditious manner and make application revisions over time, as necessary.

Transparency is of the utmost importance to ensure that the funds are being efficiently and effectively used to address their needs. There will be many who will track the progress and use of these funds and it is anticipated that the expenditures will be reviewed both thru SRF-required reviews and audits as well as potential additional outside oversight due to the public interest in the funding. For example, an A-133 Single Audit is required of any City that expends more than \$750,000 in federal funds per fiscal year pursuant to the Office of Management and Budget and 2 CFR Part 200. While the EPA stands ready to expedite the DWSRF process, the MDEQ must ensure that the statutory and regulatory requirements of the DWSRF program are met.

We are encouraged by the progress shown in the City's water distribution system restoration. This supplemental funding creates opportunities to address lead-related public health issues and affordability concerns by constructing infrastructure that has both the greatest public health impact and addresses long-term costs of water system operation. Decisions on projects should be communicated to the public, including public health impacts and potential effects on citizen water rates.

EPA is eager to work with you to expedite funding and to ensure that this program is a success.

Information pertaining to the Michigan DWSRF program's project eligibility and application process can be found at: http://www.michigan.gov/deq/0,1607,7-135-3307_3515_3517---_00.html. Information on the federal DWSRF can be found at: <https://www.epa.gov/drinkingwatersrf>. Should you have any questions about this letter, please do not hesitate to contact me.

Sincerely,



Robert A. Kaplan
Acting Regional Administrator